
**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

In re:) Chapter 11
)
SHELBOURNE NORTH WATER) Case No. 13-44315(JSB)
STREET, L.P.)
)
Debtor.) Honorable Janet S. Baer

**DISCLOSURE STATEMENT WITH RESPECT TO
CHAPTER 11 PLAN OF REORGANIZATION OF
SHELBOURNE NORTH WATER STREET, L.P.**

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 Exhibit A – Chapter 11 Plan Of Reorganization Of Shelbourne North Water Street, L.P.
 Exhibit B – Liquidation Analysis for the Debtor

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STREET, L.P.)
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Debtor.) Honorable Janet S. Baer

**DISCLOSURE STATEMENT WITH RESPECT TO
CHAPTER 11 PLAN OF REORGANIZATION OF
SHELBOURNE NORTH WATER STREET, L.P.**

Shelbourne North Water Street, L.P. (the “Debtor”) owns 2.2 acres of land in downtown Chicago, Illinois on which it hoped to build the tallest building in the western hemisphere – the 150-story residential skyscraper commonly known as the Chicago Spire. The global financial crisis at the end of the last decade halted development of the Chicago Spire. Since June 30, 2010, the property had been the subject of a foreclosure proceeding in the Circuit Court of Cook County, Illinois. On October 9, 2013, four alleged creditors, who purchased debts from or were parties to the foreclosure proceeding, filed an involuntary chapter 11 bankruptcy petition against the Debtor in Wilmington, Delaware. After a month of negotiation, the Debtor and the petitioning creditors entered into an agreement whereby the Debtor consented to the entry of an order for relief, the petitioning creditors consented to the transfer of the Chapter 11 case to the United States Bankruptcy Court for the Northern District of Illinois, and the parties agreed that the Debtor would have the exclusive right to file a plan of reorganization by March 10, 2014. The Debtor now submits this Disclosure Statement to obtain confirmation of its Chapter 11 Plan of Reorganization from the Bankruptcy Court.

The Plan is a simple one. It provides for payment in full of all Allowed Claims and the transfer of all assets of the Debtor and its related entities to a new entity who will move forward with the development of the Chicago Spire.

SUMMARY OF THE PLAN

The following is a summary of the principal terms of the Plan.

A. Designation of Classes.

All Claims against and interests in the Debtor, other than Administrative Expense Claims and Priority Tax Claims, are classified for all purposes, including voting, confirmation and Distribution pursuant to the Plan, as follows:

CLASS	TREATMENT	STATUS	ENTITLED TO VOTE?
Unclassified: Administrative Expense Claims Amount: Unknown	Administrative Expense Claims will be paid in full with funds available to the Estate on the Effective Date, or as soon thereafter as such Claims are Allowed, or such other date as is mutually agreed upon by the Debtor and the holder of such Claim.	Unimpaired	No
Unclassified: Priority Tax Claims Amount: \$0.00	Priority Tax Claims will be paid in full with funds available to the Estate on the Effective Date, or as soon thereafter as such Priority Tax Claims are Allowed.	Unimpaired	No
Class 1: Secured Claim- RMW Acquisition Company, LLC Amount: \$96,542,975.00	The Secured Claim of RMW Acquisition Company, LLC will be paid in full with funds available to the Estate on the Effective Date, or as soon thereafter as the Secured Claim of RMW Acquisition Company, LLC is Allowed.	Unimpaired	No
Class 2: Mechanic's Lien Claims- Non-Affiliates Amount: \$18,381,727.84	The Mechanic's Lien Claims will be paid in full with funds available to the Estate on the Effective Date, or as soon thereafter as a Mechanic's Lien Claim is Allowed.	Unimpaired	No
Class 3: Unsecured Claims- Non-Affiliates Amount: \$4,276,593.00	Unsecured claims will be paid in full with funds available to the Estate on the Effective Date or as soon thereafter as the Unsecured Claim is Allowed.	Unimpaired	No

CLASS	TREATMENT	STATUS	ENTITLED TO VOTE?
Class 4: Claims of Shelbourne Affiliates Amount: \$215,522,642.00	The Claims of the Shelbourne Affiliates shall be released and shall receive no Distribution under the Plan.	Impaired	No
Class 5: Equity Interests	Holders of Class 5 Interests shall neither receive nor retain any Distributions of any kind.	Impaired	No

- B. Payment Of Claims In Full. The Debtor will pay in full all Allowed Claims, except the claims of Shelbourne Affiliates. Excluding the claims of the Shelbourne Affiliates, Claims totaling approximately \$120 million have been filed against the bankruptcy estate.
- C. Funding Of Claims Payments. Atlas Apartment Holdings, LLC (“Atlas”), or one of its affiliates, and Credit Suisse LLC (the “Tier One Capital Provider”) shall provide the lesser of (1) \$135 million or (2) the aggregate amount of all Allowed Claims to pay all Allowed Claims. The Borrower is a Delaware special purpose entity (“SPE”) controlled by Steven Ivankovich, the principal of Atlas (the “Atlas Principal”).
- D. Property Of The Estate. The Debtor will transfer all of its assets to the SPE.
- E. Treatment Of Affiliate Claims. The claims of Chicago Spire LLC, Shelbourne Lakeshore, Ltd., Shelbourne Finance and Garrett Kelleher (the “Shelbourne Affiliates”) shall be released. The Affiliate Claims total approximately \$215 million.
- F. Capital Structure Of The Borrower. The sole member of SPE is a Delaware limited liability company (“Holdco”) owned and controlled by the Atlas Principal as managing member and North Water Street Capital LLC, a Delaware limited liability company (“NWSC”) as non-managing member. NWSC shall contribute \$1 million to SPE. The Tier One Capital Provider shall have a first priority mortgage lien and security interest in all the property of SPE and a lien and collateral assignment of all development rights acquired by SPE. Up to a maximum of 50% of the Tier One Capital Provider Loan shall be full recourse to SPE and personally guaranteed by the Atlas Principal. The initial funding of the Tier One Capital Loan shall include: (i) all amounts necessary to confirm the Plan, including all amounts required to pay Allowed Claims in full and amounts to be held in escrow for Disputed Claims, (ii) the Origination Fee of 2.5% of the Tier

One Capital Amount, (iii) all third-party closing costs, expenses and fees, including due diligence costs and expenses, reasonably approved by the Tier One Capital Provider, (iv) a \$5 million cash payment to Chicago Spire LLC, Shelbourne Lakeshore, Ltd., and Garrett Kelleher for (x) all applicable development rights, licenses, intellectual property, causes of action, and executory contracts associated with the Property, and (y) the release or contribution of all of their claims.

SECTION I

INTRODUCTION

The Debtor submits this Disclosure Statement pursuant to section 1125 of the Bankruptcy Code, solely for informational purposes, to all known holders of Claims and interests for their consideration of the Plan, a copy of which is annexed to this Disclosure Statement as Exhibit A.

This Disclosure Statement sets forth certain information regarding the Debtor's pre-petition history, events in the Chapter 11 Case, and the resolution of all Claims and interests. This Disclosure Statement also describes the Plan, certain effects of Confirmation of the Plan, and the manner in which Distributions will be made under the Plan. In addition, this Disclosure Statement discusses the Confirmation process and the procedures that holders of Claims or interests must follow to object to Confirmation of the Plan.

On _____, 2014, after notice and a hearing, the Bankruptcy Court entered an order approving the Disclosure Statement as containing adequate information, within the meaning of section 1125(a) of the Bankruptcy Code.

THIS DISCLOSURE STATEMENT CONTAINS SUMMARIES OF CERTAIN PROVISIONS OF THE PLAN, CERTAIN STATUTORY PROVISIONS, CERTAIN DOCUMENTS RELATED TO THE PLAN, CERTAIN EVENTS IN THE CHAPTER 11 CASES, AND CERTAIN FINANCIAL INFORMATION. ALTHOUGH THE DEBTOR BELIEVES THAT THE PLAN AND RELATED DOCUMENT SUMMARIES ARE FAIR AND ACCURATE, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS. FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE DEBTOR'S MANAGEMENT, EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED. THE DEBTOR IS UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN, INCLUDING THE FINANCIAL INFORMATION, IS WITHOUT ANY INACCURACY OR OMISSION.

NOTHING CONTAINED HEREIN SHALL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING INVOLVING THE DEBTOR OR ANY OTHER PARTY, OR BE DEEMED CONCLUSIVE ADVICE ON THE TAX OR OTHER LEGAL EFFECTS OF THE

REORGANIZATION AS TO HOLDERS OF ALLOWED CLAIMS OR ALLOWED INTERESTS. YOU SHOULD CONSULT YOUR PERSONAL COUNSEL OR TAX ADVISOR ON ANY QUESTIONS OR CONCERNS RESPECTING TAX, SECURITIES, OR OTHER LEGAL CONSEQUENCES OF THE PLAN.

SECTION II

PLAN VOTING INSTRUCTIONS AND PROCEDURES

A. Definitions.

Unless otherwise defined elsewhere in this Disclosure Statement, capitalized terms used herein have the meanings ascribed to them in Article 1 of the Plan. In the event of a conflict or ambiguity between the definition of a term contained in the Plan and the Bankruptcy Code, the definition contained in the Plan shall control. The rules of construction set forth in section 102 of the Bankruptcy Code shall apply in construing the Plan Documents. All references to the Plan herein shall be construed, where applicable, to include references to the Plan and all its exhibits, appendices, schedules, and annexes (and any amendments thereto made in accordance with the Bankruptcy Code).

B. Information Package.

Accompanying this Disclosure Statement is a copy of the Plan and the notice of, among other things, the date, time and place of the hearing to consider the Confirmation of the Plan and related matters, and the time for filing objections to Confirmation.

C. Confirmation Hearing And Deadline For Objections.

Pursuant to section 1125 of the Bankruptcy Code and Fed. R. Bank. P. 3017(a), the Bankruptcy Court has scheduled a hearing to consider Confirmation of the Plan (the "Confirmation Hearing") to commence on _____, 2014 at ____ p.m. Central Time, or as soon thereafter as counsel may be heard, before the Honorable Janet S. Baer in the United States Bankruptcy Court for the Northern District of Illinois, Eastern Division, Dirksen Federal Building, 219 South Dearborn Street, Courtroom No. 615, Chicago, Illinois 60604. The Bankruptcy Court has directed that objections, if any, to Confirmation of the Plan must be filed with the Clerk of the Bankruptcy Court and served so that they are RECEIVED on or before _____, 2014 at 4:00 p.m. Central Time by:

Counsel to the Debtor:

Joseph D. Frank, Esq.
Frances Gecker, Esq.
FrankGecker LLP
325 North LaSalle Street
Suite 625
Chicago, IL 60654

United States Trustee:

The Office of the United States Trustee
227 West Monroe Street, Suite 3350
Chicago, IL 60603

The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for the announcement of the adjournment date made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing.

D. Voting.

Because all Allowed Claims will be paid in full, all classes of creditors are deemed to have accepted the Plan and are not entitled to vote. All claims of the Shelbourne Affiliates and interests in the Debtor will receive no distribution, are deemed to have rejected the Plan and are not entitled to vote.

SECTION III

THE HISTORY OF THE DEBTOR

A. Acquisition of the Property and Anglo Irish Bank Corporation.

On July 20, 2006, Shelbourne North Water Street, LP (the “Debtor”) purchased 2.2 acres of property located at 400 East North Water Street, Chicago, Illinois (the “Property”) for \$64 million (the “Sale Price”). The Sale Price was partially financed with a \$54,500,000 loan from Anglo Irish Bank Corporation (the “Anglo Loan”), which loaned \$53,955,000 to the Debtor, and retained \$545,000 as its fee for facilitating the Anglo Loan. The remaining part of the adjusted purchase price of \$58,089,781.22 (after offsets of appropriate credits) was paid by the Debtor. The Anglo Loan was an interest only loan that became due on December 31, 2007. The maturity date of the Anglo Loan was subsequently extended to December 31, 2008. In 2008 and early 2009, Anglo Irish Bank made three additional disbursements to the Debtor in the amount of \$5 million each, for a total of \$15 million. On September 11, 2008, Anglo Irish Bank and the Debtor formally amended the Anglo Loan to increase it from \$54,500,000 to \$69,500,000. Through various amendments, the due date on the Anglo Loan was finally extended to October 2, 2009. On April 21, 2010, Anglo Irish Bank and the Debtor entered into a forbearance agreement in which Anglo Irish Bank agreed to forbear from taking any action to foreclose on the Anglo Loan until after September 30, 2010.

B. The Chicago Spire Project.

The development of the real estate was divided between the Debtor as the property owner, and Chicago Spire LLC as the developer. Chicago Spire LLC directly contracted with the design team to develop the project which was anticipated to be a 150-story building with 1,194 residential units and 1,420 underground parking spaces (the “Spire”). The design team included Festina Lente (IL) PC (Design Architect), Perkins +Will (Architects of Record), Knight E/A Inc. (Civil Engineers), Thorton Tomasetti (structural engineers), Cosentini Associates

(mechanical engineers), and Buro Happold Consulting Engineer Limited (project management consultants). In July 2007, construction began on the Spire, which included developing the substructure for the building and ramps off of Lake Shore Drive to the parcel. In addition to the work for the Spire, the Debtor and Chicago Spire LLC worked on redevelopment of River Esplanade, redevelopment of DuSable Park, relocation of an underground metropolitan water reclamation district, and various land transfers and easements with the City of Chicago and the Chicago Park District. By 2009, Case Foundation had completed the substructure which went approximately 110 feet below ground, and Lorig Construction Company had completed the off ramps from Lake Shore Drive. In addition, by 2009, the Debtor had completed the installation of a cofferdam which was approximately 110 feet in diameter, and the installation of rock caissons which would be used to support the building's structure. By July 2009, Chicago Spire LLC had completed sales of 309 individual units, which included 163 parking spaces, for the total amount of \$496 million. As of July 31, 2009, the Chicago Spire LLC held approximately \$17 million in deposits for the purchased units. In December 2010, after the appointment of the Receiver for the Spire, Chicago Spire LLC returned all of the deposits.

C. Foreclosure Action.

On June 30, 2010, Lorig Construction Company initiated an action in the Circuit Court of Cook County (Case No. 10 CH 27970) seeking to foreclose on its alleged unpaid mechanic's lien (the "Lorig Complaint"). On October 1, 2009, Anglo Irish Bank answered the Lorig Complaint, and filed a counterclaim against the Debtor seeking to foreclose its interest in the Property. As of October 1, 2009, Anglo Irish Bank asserted debts of \$69,500,000 (principal), \$750,000 (advances), and \$7 million in interest and unpaid late fees. Case Foundation Company, Lorig Construction Company, Anglo Irish Bank, AECOM, PLCS Corporation, Chicago Spire LLC, and Shelbourne Lakeshore Limited were the parties that appeared and answered the Lorig Complaint to defend their interests in the Property. On December 2, 2010, Stephen Bell was appointed receiver ("the Receiver") for the Property. On February 10, 2011, by agreement with the Debtor, a judgment against the Debtor was entered in favor of Case Foundation Company in the amount of \$14,482,155. On October 12, 2011, by agreement, a foreclosure judgment was entered against the Debtor in favor of Anglo Irish Bank in the amount of \$82,868,313.43. The foreclosure litigation continued as Case Foundation, Lorig Construction, and AECOM litigated issues related to their mechanic's liens. An order was entered deeming AECOM's mechanic's lien insufficient to prime the mortgage lien of Anglo Irish Bank. On June 11, 2013, National Asset Loan Management ("NALM") substituted in for the lender, Anglo Irish Bank. On June 27, 2013, NALM filed a motion seeking to substitute RMW Acquisition Company, LLC ("RMW") as the plaintiff, and RMW was allowed to intervene on July 1, 2013. On July 1, 2013, by agreement with the Debtor, a judgment against the Debtor was entered in favor of PLCS Corporation in the amount of \$200,000. On June 27, 2013, the Debtor filed a motion seeking to vacate the judgment of foreclosure entered on October 12, 2011. October 10, 2013, RMW filed a Suggestion of Involuntary Bankruptcy in the foreclosure action and the foreclosure action was stayed.

SECTION IV

THE CHAPTER 11 CASE

A. The Involuntary Bankruptcy Case.

On October 9, 2013 (the “Petition Date”), four creditors or purported creditors of the Debtor (the “Petitioners”), including RMW Acquisition Company, LLC (“RMW”) and RMW CLP Acquisitions, LLC (“RMW CLP”), filed an involuntary petition against the Debtor seeking relief under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the “Delaware Bankruptcy Court”). On October 17, 2013, the Petitioners filed a motion to designate the Debtor's bankruptcy case as a single asset real estate case, as defined in section 101(51B) of the Bankruptcy Code. On October 24, 2013, the Debtor filed a motion to transfer venue of the Debtor's involuntary bankruptcy case from the Delaware Bankruptcy Court to the United States Bankruptcy Court for the Northern District of Illinois (the “Bankruptcy Court”). On November 8, 2013, the Debtor and the Petitioners entered into a stipulation, pursuant to which the Debtor consented to the entry of an order for relief and the designation of the Debtor's case as a single asset real estate case. In addition, the Petitioners consented to the transfer of venue to the Bankruptcy Court, agreed that notwithstanding the fact that the Debtor's case is a single asset real estate case, the Debtor will have until March 10, 2014 to comply with Bankruptcy Code section 362(d)(3)(A) or (B), and agreed not to seek to terminate or shorten the Debtor's exclusive period to file a plan of reorganization prior to March 10, 2014 and not to seek appointment of a chapter 11 trustee. In addition, the Debtor agreed that if it does not file a chapter 11 plan of reorganization prior to March 10, 2014, its exclusive period to file a plan under section 1121 of the Bankruptcy Code will automatically terminate. On November 8, 2013, the Delaware Bankruptcy Court entered an Order Approving Stipulation Regarding Order for Relief, Venue Transfer and SARE Designation. On that same day, the Delaware Bankruptcy Court entered an order for relief under chapter 11 of the Bankruptcy Code in the Debtor's case.

B. Key Events in the Bankruptcy Case.

On November 14, 2013, the Bankruptcy Court received the Debtor's case and assigned it case number 13-44315. On or about November 20, 2013, the Debtor, the Receiver and RMW, the purported purchaser of the note previously held by Anglo Irish Bank, entered into a joint stipulation: (A) Authorizing the Receiver to (i) Remain in Possession, Custody, and Control of the Debtor's Mortgaged Property, and (ii) Maintain, Care For and Preserve Such Mortgaged Property; (B) Excusing the Receiver from Complying with Bankruptcy Code Sections 543(a) and 543(b); and (C) Authorizing the Receiver to Use Funds on Deposit that Constitute Secured Lender's Cash Collateral to Pay Existing and Future Costs and Expenses of the Receiver Relating to the Mortgaged Property and Providing Adequate Protection to Secured Lender Therefor. This stipulation permitted the Receiver to remain in possession of the real property and to use certain funds that RMW asserts constitute its cash collateral in order to protect and maintain the property. On November 20, 2013, the Debtor filed its motion to retain the attorneys of FrankGecker LLP as its counsel. On November 27, 2013, the Bankruptcy Court entered an order approving the Debtor's retention of FrankGecker LLP. On November 27, 2013, the Bankruptcy Court also entered an order establishing January 27, 2014 as the claims bar date for

all non-governmental entities. On December 17, 2013, the Debtor attended the first meeting of its creditors pursuant to section 341 of the Bankruptcy Code. On December 27, 2013, RMW filed an adversary complaint against the Debtor and its affiliates Shelbourne Lakeshore Limited and Chicago Spire, LLC, Case No. 13-01437, in which RMW asks the Bankruptcy Court to determine the extent and validity of its lien. Claims totaling \$334,723,937.00 have been timely filed or scheduled as undisputed.

SECTION V

DISCUSSION OF THE PLAN

A. Introduction.

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under Chapter 11, a debtor is authorized to reorganize its business for the benefit of itself and its creditors and shareholders. In addition to permitting rehabilitation of the debtor, Chapter 11 promotes equality of treatment of creditors and equity security holders who hold substantially similar claims against or interests in a debtor and its assets.

The consummation of a plan of reorganization is the principal objective of a Chapter 11 case. A plan of reorganization sets forth the means for satisfying claims against and interests in a debtor. Confirmation of a plan of reorganization by the bankruptcy court makes the plan binding upon the debtor, any issuer of securities under the plan, any person or entity acquiring property under the plan, and any creditor of or equity security holder in the debtor, whether or not such creditor or equity security holder (i) is impaired under or has accepted the plan or (ii) receives or retains any property under the plan. Subject to certain limited exceptions and other than as provided in the plan itself or the confirmation order, the confirmation order discharges the debtor from any debt that arose prior to the date of confirmation of the plan and substitutes therefor the obligations specified under the confirmed plan, and terminates all rights and interests of equity security holders.

B. Classification and Treatment Of Claims And Interests.

1. Generally.

Section 1123 of the Bankruptcy Code provides that a plan of reorganization must classify the claims and interests of a debtor's creditors and equity interest holders. In accordance with section 1123, the Plan classifies Claims and interests into classes as set forth in subsections 2 and 3 below. Under section 1122 of the Bankruptcy Code, the Debtor must classify Claims against and interests in the Debtor into classes that contain Claims and interests that are substantially similar to the other Claims and interests in such class.

The classification of Claims and interests and the nature of Distributions to members of each class are summarized below.

2. Unclassified Claims.

In accordance with Section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Priority Tax Claims are not classified and are excluded from the classes established in Article 4 of the Plan. The treatment accorded Administrative Expense Claims and Priority Tax Claims is set forth in Article 3 of the Plan.

3. Classes.

Claims and interests are classified for all purposes, including voting, Confirmation, and Distribution pursuant to the Plan and pursuant to Sections 1122 and 1123(a)(1) of the Bankruptcy Code, as follows:

- Class 1: Secured Claim of RMW Acquisition Company, LLC
- Class 2: Mechanic's Liens Claims of Non-Affiliates
- Class 3: Unsecured Claims of Non-Affiliates
- Class 4: Claims of Shelbourne Affiliates
- Class 5: Equity Interests

C. Treatment of Administrative Expense Claims and Priority Tax Claims.

1. Administrative Expense Claims of Professionals.

Subject to the provisions of Sections 330(a), 331, and 503 of the Bankruptcy Code, each Administrative Expense Claim shall be paid in full on the Effective Date, to the extent Allowed, or as soon thereafter as each such Administrative Expense Claim is Allowed, or such date thereafter as is mutually agreed upon by the Debtor and the holder of such Allowed Claim.

The Administrative Expense Claims will be comprised primarily of professional fees. The professionals will file their administrative expense claims forty-five (45) days after the Effective Date.

In addition to Administrative Expense Claims for professionals, the Debtor will pay (i) all other post-petition obligations either on the Effective Date or as and when they become due and (ii) all fees due to the United States Trustee in full when due, and will continue to pay such fees until the Chapter 11 Case is closed.

2. Priority Tax Claims.

Each Priority Tax Claim shall be paid in full on the Effective Date, to the extent Allowed, or as soon thereafter as each such Priority Tax Claim is Allowed, or thereafter on such other date as is mutually agreed upon by the Debtor and the holder of such Allowed Claim.

No Priority Tax Claims have been filed.

D. Treatment of Claims and Interests.

Allowed Claims and Interests, as classified in Article 4 of the Plan, shall be treated in the manner set forth in Article 4 and Article 5 of the Plan. The following constitutes a summary of such treatment.

1. Class 1 – Secured Claim of RMW.

(a) Impairment and Voting.

Class 1 is not impaired by the Plan. Pursuant to Section 1126(f) of the Bankruptcy Code, Class 1 is deemed to have accepted the Plan.

(b) Treatment.

The secured claim of RMW will be paid in full on the Effective Date, or when its claim becomes an Allowed Claim. The Allowed Secured Claim of RMW will accrue post-petition interest at the legal rate. RMW filed a secured claim in the amount of \$96,542,975.00.

2. Class 2 – Mechanic’s Lien Claims of Non-Affiliates.

(a) Impairment and Voting.

Class 2 is not impaired by the Plan. Pursuant to Section 1126(f) of the Bankruptcy Code, Class 2 is deemed to have accepted the Plan.

(b) Treatment.

The Non-Affiliate Mechanic’s Lien Claimants will be paid in full on the later of the Effective Date or as soon thereafter as Class 2 Claims are Allowed. The Claims of the Non-Affiliate Mechanic’s Lien Claimants will accrue post-petition interest at the statutory rate of 9% for those claimants who have judgments and 10% for those claimants without judgments. Mechanic’s Lien Claims have been filed by Non-Affiliates in the amount of \$18,381,727.84.

3. Class 3 – Unsecured Claims of Non-Affiliates.

(a) Impairment and Voting.

Class 3 not impaired by the Plan. Pursuant to Section 1126(f) of the Bankruptcy Code, Class 3 is deemed to have accepted the Plan.

(b) Treatment.

On the later of the Effective Date, or as soon thereafter as Class 3 Claims are Allowed, holders of such Allowed Class 3 Claims will receive payment in full. Unsecured Claims in the amount of \$4,276,593.00 have been filed.

4. Class 4 – Claims of Shelbourne Affiliates.

(a) Impairment and Voting.

Class 4 is impaired by the Plan. Pursuant to Section 1126(g) of the Bankruptcy Code, Class 3 is deemed to have rejected the Plan.

(b) Treatment.

On the Effective Date, the Class 4 Claims shall be released

5. Class 5 – Interests.

(a) Impairment and Voting.

Class 5 is impaired by the Plan. Pursuant to Section 1126(g) of the Bankruptcy Code, Class 3 is deemed to have rejected the Plan.

(b) Treatment.

On the Effective Date, all interests in the Debtor shall be deemed cancelled as of such date, and the holders of such interests shall neither receive nor retain any property on account of such interests.

E. Means for Implementation of the Plan.

1. Funding and Transfer of Assets.

Atlas, or one of its affiliates, and Credit Suisse LLC shall loan up to \$135 million to SPE, a Delaware special purpose entity. The Debtor shall transfer all of its assets to SPE. In exchange, SPE shall use the proceeds of the Tier One Capital Loan to (a) pay all Allowed Claims and fund the Disputed Claim Escrow Account; (b) pay the Origination Fee to the Tier One Capital Provider, (c) pay all third-party closing costs, expenses and fees (including due diligence costs and expenses, and legal fees and expenses), reasonably approved by the Tier One Capital Provider, and (d) pay \$5 million in the aggregate to the Shelbourne Affiliates in exchange for all applicable development rights, licenses, intellectual property, causes of action and executory contracts associated with the Property, and the release of all Claims by the Shelbourne Affiliates.

2. Implementing Documents.

All documents included in the Plan Supplement and necessary to complete the transactions whereby SPE will fund the Allowed Claims and receive the assets will be executed on or before the Effective Date.

3. Procedure for Distributions to Creditors.

SPE shall fund a Plan distribution account and a Disputed Claim Escrow Account. The Debtor or Reorganized Debtor shall pay all Allowed Claims in full, other than the Claims of the

Shelbourne Affiliates, on the later of (a) the Effective Date or (b) the date the Claim becomes an Allowed Claim.

4. Procedures for the Treatment of Disputed Claims.

(a) Objections to Claims. Unless otherwise ordered by the Bankruptcy Court, after notice and a hearing, the Debtor (or Reorganized Debtor) shall have the exclusive right to make and file objections to Claims at any time on or before sixty (60) days after the later of (i) the Effective Date or (ii) the date on which such Claim was filed with the Bankruptcy Court unless no Proof of Claim is required to be filed pursuant to Bankruptcy Rule 3002, the Plan, or any order of the Bankruptcy Court; provided, however, that (x) this deadline may be extended by the Bankruptcy Court on motion by the Debtor (or Reorganized Debtor), and (y) neither the Debtor (nor Reorganized Debtor) nor any other Person may file an objection to (1) a Claim that was Allowed by a Final Order entered during the Chapter 11 Case, or (2) a Claim Allowed by the Plan. In addition, unless otherwise ordered by the Bankruptcy Court after notice and a hearing, the Debtor (or Reorganized Debtor) shall have the exclusive right to amend the Schedules or to object to any Claim specified on the Schedules, at any time on or before sixty (60) days after the Effective Date, provided, however, that this deadline may be extended by the Bankruptcy Court on motion by the Debtor (or Reorganized Debtor), as applicable.

(b) Distribution on Account of Disputed Claims. Payments and distributions to each Holder of a Claim that is Disputed, or that is not Allowed, to the extent that such Claim ultimately becomes Allowed, shall be made in accordance with the provisions governing the class of Claims in which such Claim is classified. As soon as practicable after the date that the order or judgment of the Bankruptcy Court allowing any Disputed Claim becomes a Final Order, the Debtor shall distribute from the Disputed Claim Escrow Account to the Holder of such Claim any payment or property that would have been distributed to such Holder if the Claim had been Allowed as of the Effective Date (or such other date on which such distribution would have been made), without any additional interest on such payment.

(c) Disputed Claim Escrow Account. The Debtor shall establish the Disputed Claim Escrow Account. The Disputed Claim Escrow Account shall be funded with cash proceeds from the Tier One Capital Provider Loan in an amount sufficient to pay all Disputed Claims in full.

5. Dismissal of Foreclosure Suit.

After the Effective Date, the foreclosure suit will be dismissed and the Receiver discharged.

F. Feasibility.

In order for the Plan to be confirmed, the Bankruptcy Court must determine that the Plan is feasible. The Plan is feasible if the Court determines that the need for further reorganization or a subsequent liquidation of the Debtor (or Reorganized Debtor) is not likely to result following Confirmation of the Plan. In determining whether a plan of reorganization that will pay all Allowed Claims in full is feasible, a court will consider (A) the ability of the Debtor to make the Plan payments, (B) the adequacy of the proposed capital structure of the reorganized entity, and

(C) any other factors the court deems relevant to the successful operation of the reorganized entity to perform the provisions of the plan of reorganization. The success of the Plan is dependent upon Atlas obtaining the financing set forth in the Plan Investment Agreement. Prior to Confirmation, Atlas will have a commitment for the funds to pay all creditors in full, other than the Shelbourne Affiliates.

SECTION VI

INJUNCTIONS, RELEASES AND DISCHARGE

A. Term of Certain Injunctions and Automatic Stay.

1. *All of the injunctions and/or automatic stays provided for in or in connection with the Chapter 11 Case, whether pursuant to section 105, section 362, or any other provision of the Bankruptcy Code or other applicable law, in existence immediately prior to the Confirmation Date shall remain in full force and effect until the Injunctions and other permanent stays and injunctions that replace them, if any, become effective, as provided in the Confirmation Order. In addition, on and after the Confirmation Date, the Debtor may seek such further orders as they may deem necessary to preserve the status quo during the time between the Confirmation Date and the Effective Date.*

2. *Each of the Injunctions shall become effective on the Effective Date and shall continue in effect at all times thereafter. Notwithstanding anything to the contrary contained in the Plan, all actions in the nature of those to be enjoined by the Injunctions shall be enjoined during the period between the Confirmation Date and the Effective Date as well.*

B. Section 346 Injunction. In accordance with section 346 of the Bankruptcy Code, for purposes of any state or local law imposing a tax, income will not be realized by the Estate, the Debtor or Reorganized Debtor by reason of the forgiveness or discharge of indebtedness resulting from the consummation of the Plan. As a result, each state or local taxing authority is permanently enjoined and restrained, after the Confirmation Date, from commencing, continuing, or taking any act to impose, collect or recover in any manner any tax against the Debtor or Reorganized Debtor arising by reason of the forgiveness or discharge of indebtedness under the Plan.

C. Discharge and Release.

1. Except as specifically provided in the Plan or in the Confirmation Order, effective on the Effective Date, the Debtor and Reorganized Debtor shall be discharged from responsibility, obligation or liability for any and all Claims and demands, including any Claim of a kind specified in section 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not (i) a Proof of Claim based on such Claim was filed or deemed filed under section 501 of the Bankruptcy Code, or such Claim was listed on the Schedules of the Debtor, (ii) such Claim is or was Allowed under section 502 of the Bankruptcy Code, or (iii) the holder of such Claim has voted on or accepted the Plan. Except as specifically provided in the Plan to the contrary, the rights that are provided in the Plan shall be in complete (x) satisfaction, discharge and release of

all Claims or demands against, liens on, and interests in the Debtor (or Reorganized Debtor), or the assets and property of the Debtor (or Reorganized Debtor), (y) satisfaction, discharge and release of all Claims constituting Released Claims, including, but not limited to, all causes of action, whether known or unknown, either directly or derivatively through the Debtor or Reorganized Debtor against the Released Parties on the same subject matter as any of the Claims, liens, or interests described in subpart (x) of Article 7.4 of the Plan, and (z) satisfaction, discharge and release of all causes of action of the Debtor or Reorganized Debtor, whether known or unknown, including but not limited to, all Claims, including the Released Claims, against the Released Parties. Further, but in no way limiting the generality of the foregoing, except as otherwise specifically provided in the Plan, any Entity accepting any distributions or rights pursuant to the Plan shall be presumed conclusively to discharge the Debtor and Reorganized Debtor and have released the Released Parties from (a) the Released Claims and (b) any other cause of action based on the same subject matter as the Claim or interest on which the distribution or right is received.

2. Except as specifically provided in the Plan or in the Confirmation Order, effective on the Effective Date, the Debtor and Reorganized Debtor shall satisfy, discharge and release all of their Claims against, liens on, and causes of action, whether known or unknown, either directly or derivatively, including, but not limited to, the Released Claims, against any of the Released Parties. The foregoing notwithstanding, the Debtor does not believe that there are any Claims against, liens on, or cause of action against any of the Released Parties.

D. Discharge Injunction. *Except as specifically provided in the Plan Documents to the contrary, upon entry of the Confirmation Order, this Plan will operate as an injunction prohibiting and enjoining the commencement or continuation of any action, the employment of process or any act to collect, recover from, or offset (a) any Claim or demand against or interest in the Debtor or Reorganized Debtor by any Entity or (b) any cause of action, whether known or unknown, against the Released Parties based on the same subject matter as any Claim, demand or interest described in clause (a) of Section 7.4 of the Plan.*

E. Exoneration and Reliance. The Debtor, Reorganized Debtor, and Atlas, as well as their respective stockholders, directors, officers, agents, employees, members, attorneys, accountants, financial advisors, and representatives shall not be liable other than for gross negligence or willful misconduct to any holder of a Claim or interest or any other Entity with respect to any action, omission, forbearance from action, decision, or exercise of discretion taken at any time prior to the Effective Date in connection with (a) the management or operation of the Debtor or Reorganized Debtor, or the discharge of their duties under the Bankruptcy Code, (b) the implementation of any of the transactions provided for, or contemplated in, the Plan or the Plan Documents, (c) any action taken in connection with either the enforcement of the Debtor's rights against any Entities or the defense of Claims asserted against the Debtor with regard to the Chapter 11 Case, (d) any action taken in the negotiation, formulation, development, proposal, disclosure, confirmation or implementation of the Plan Documents filed in the Chapter 11 Case, or (e) the administration of the Plan or the assets and property to be distributed pursuant to the Plan.

F. No Liability for Solicitation or Participation. Pursuant to section 1125(e) of the Bankruptcy Code, the Confirmation Order shall provide that all of the Persons who have

solicited acceptances or rejections of the Plan (including the Debtor or Reorganized Debtor, and all of their respective officers, directors, shareholders, attorneys, agents, advisers and employees, and all of the other Released Parties) have acted in good faith and in compliance with the applicable provisions of the Bankruptcy Code, and are not liable on account of such solicitation or participation for violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or the offer, issuance, sale or purchase of securities.

SECTION VII

CONDITIONS TO CONFIRMATION AND EFFECTIVENESS

A. Conditions to Confirmation.

Confirmation of the Plan shall not occur unless each of the following conditions has been satisfied or waived, by the Debtor and Atlas. These conditions to confirmation, which are designed, among other things, to ensure that the Injunctions, releases, and discharges provided under the Plan shall be effective, binding and enforceable, are as follows:

1. The Bankruptcy Court shall have approved the Disclosure Statement as having contained adequate information and the solicitation of votes thereunder as having been in compliance with Section 1126(b) of the Bankruptcy Code; and

2. The Bankruptcy Court shall have made findings and determinations, among others, in substantially the following form:

(a) All Persons who solicited acceptances or rejections of the Plan (including the Debtor, and all its officers, directors, shareholders, attorneys, agents, advisers and employees, all of the other Released Parties) have acted in good faith and in compliance with the applicable provisions of the Bankruptcy Code, and are not liable on account of such solicitation or participation for violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or the offer, issuance, sale or purchase of securities; and

(b) The Plan and Plan Documents, including, without limitation, and all amendments modifications and supplements thereto, including, without limitation, all annexes, exhibits, and schedules thereto, and all terms and conditions thereof, are fair and reasonable and are hereby approved.

B. Conditions to Effectiveness of the Plan.

Notwithstanding any other provision of the Plan or the Confirmation Order, the Effective Date of the Plan shall not occur unless and until each of the following conditions has been satisfied or, if applicable, waived:

1. Confirmation Order.

The Confirmation Order shall have been issued, as required by section 1129, and other applicable provisions of the Bankruptcy Code, and the Confirmation Order shall have become a Final Order; provided, however, that, the Effective Date may occur at a point in time when the

Confirmation Order is not a Final Order at the option of the Debtor and Atlas unless the effectiveness of the Confirmation Order has been stayed or vacated, in which case the Effective Date may be, again at the option of the Debtor and Atlas, the first Business Day immediately following the expiration or other termination of any stay of effectiveness of the Confirmation Order.

2. Plan Documents.

The Plan Documents necessary or appropriate to implement the Plan shall have been executed, delivered and, where applicable, filed with the appropriate Governmental Unit, except to the extent that appropriate waivers have been obtained in accordance with the Plan in lieu thereof.

3. Judicial Fees.

All fees comparable to the fees payable pursuant to 28 U.S.C. § 1930 if and to the extent assessed against the Estate shall have been paid in full.

4. Permits.

SPE shall have obtained all permits and resolved all zoning, land use, environmental and engineering issues as set forth in the Plan Investment Agreement.

C. Effect of Failure of Conditions.

In the event that one or more of the conditions specified in Article 8.2 of the Plan have not occurred or been duly waived by the Debtor and Atlas before 120 days after the Confirmation Date, then upon notification submitted by the Debtor to the Bankruptcy Court, (a) the Confirmation Order shall be vacated, (b) no distributions under the Plan shall be made, (c) the Debtor and all holders of Claims and Interests shall be restored to the status quo ante as of the day immediately preceding the Confirmation Date as though the Confirmation Order had never been entered and the Confirmation Date never occurred and (d) the Debtor's obligations with respect to all of the Claims and Interests shall remain unchanged, and nothing contained herein shall constitute or be deemed a waiver or release of any Claims or Interests by or against the Debtor or any other Person or to prejudice in any manner the rights of the Debtor or any Person in any further proceedings involving the Debtor.

SECTION VIII

**ALTERNATIVES TO CONFIRMATION AND CONSUMMATION
OF THE PLAN**

A. Liquidation under Chapter 7.

If no plan can be confirmed, the Chapter 11 Case may be converted to a case under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be appointed to liquidate the Debtor's assets for distribution in accordance with the priorities established by the

Bankruptcy Code. The Debtor believes that liquidation under chapter 7 would result in smaller distributions being made to creditors.

In Chapter 7 liquidation, the Shelbourne Affiliate Claims in the amount of \$215,522,642 would not be released. Therefore, to pay all creditors in full, the trustee would need to recover \$335 million in liquidation proceeds after payment of administrative expenses. Attached hereto as Exhibit B, is a Liquidation Analysis for the Debtor, which assumes that a bankruptcy case under chapter 7 is commenced immediately and that the Debtor's assets are liquidated by a court-appointed trustee in an orderly liquidation. The Liquidation Analysis is based upon a number of estimates and assumptions which, while considered reasonable, are inherently beyond the control of the Debtor or any chapter 7 trustee. Accordingly, there can be no assurances that the values reflected in the Liquidation Analysis would be realized if the Debtor were to undergo such chapter 7 liquidation. Instead, actual results could vary materially from those shown here. In addition, any liquidation would necessarily take place in the future under circumstances which presently cannot be predicted. Accordingly, if the Estate were liquidated, the actual liquidation proceeds could be materially lower or higher than the amounts set forth in the Liquidation Analysis, and no representation or warranty can be made with respect the actual proceeds that a chapter 7 liquidation would yield.

B. Alternative Plan of Reorganization.

If the Plan is not confirmed, the Debtor, or a third party could attempt to formulate a different plan of reorganization. However, the current Plan will pay all creditors in full, other than the Affiliates whose claims will be released. Under an alternative plan, the Affiliates' claims may not be released, increasing the likelihood that non-Affiliate Claims will not be paid in full.

THE DEBTOR BELIEVES THAT CONFIRMATION AND IMPLEMENTATION OF THE PLAN IS PREFERABLE TO ANY OF THE LIQUIDATION ALTERNATIVES BECAUSE THE PLAN PROVIDES GREATER RECOVERIES TO UNSECURED CREDITORS THAN THOSE AVAILABLE IN LIQUIDATION.

The undersigned has executed this Disclosure Statement as of the ____ day of _____, 2014.

EXHIBIT A

CHAPTER 11 PLAN OF REORGANIZATION OF
SHELBOURNE NORTH WATER STREET, L.P.

EXHIBIT B

LIQUIDATION ANALYSIS FOR THE DEBTOR

LIQUIDATION ANALYSIS FOR THE DEBTOR

(As of 10/31/2014)

	Claims Under Plan	Claims Under a Hypothetical Chapter 7 Liquidation
Estimated Chapter 7 Trustee Statutory Compensation (based on total disbursements of \$200 Million)	\$0	\$6,023,250.00
Estimated Chapter 7 Broker's Commission	\$0	\$2,000,000.00
Estimated Chapter 7 Attorney's Fees	\$0	\$250,000.00
Estimated Chapter 7 Accountant's Fee	\$0	\$50,000.00
Estimated Chapter 7 Transfer Tax Expenses	\$0	\$900,000.00
Estimated Chapter 7 Title Insurance Charges	\$0	\$120,000.00
Estimated Chapter 11 Administrative Expenses	\$250,000.00	\$250,000.00
DIP Loan Repayment	\$275,000.00	\$275,000.00
RMW Mortgage Lien	\$92,958,891.00	\$92,958,891.00
RMW Receiver's Certificate	\$3,584,083.00	\$3,584,083.00
Mechanics' Liens	\$17,609,735.04	\$17,609,735.04
Post Petition Interest on all Secured Claims (10/31/2014)	\$9,311,877.22	\$9,311,877.22
Unsecured Claims	\$3,877,934.88	\$3,877,934.88
Shelbourne Affiliate's Secured Claims	\$0	\$26,821,201.00
Post Petition Interest on Shelbourne Affiliate's secured claims (10/31/2014)	\$0	\$2,852,096.28
Shelbourne Affiliate Unsecured Claims	\$0	\$188,701,441.00
Total Claims	\$127,867,521.14	\$355,585,509.42
Funds Available	\$135,000,000.00	\$200,000,000.00
Amount of Unpaid Claims	\$0	\$155,585,509.42
Percentage Payment to Unsecured Creditors	100%	19.21%
Surplus Funds	\$7,132,478.86	\$0